

## PRACTICE NOTES

# Regional Transition Groups and Regional Collaborative Groups: a Voluntary Approach to Structural Reform in Western Australia<sup>1</sup>

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The Western Australian Minister for Local Government, the Hon John Castrilli MLA announced on 4 February 2009 strategies for local government reform based on a voluntary reduction in the number of individual councils.

Western Australia has a professional and well managed local government sector that is characterised by diversity in size, revenue and remoteness.<sup>2</sup> However, Western Australia is effectively the last state in Australia to experience major structural reform in the sector. Local government reform in WA is currently being implemented as a voluntary, industry led process.

*Local government in Western Australia*

Western Australia	2009/2010 financial data
Area	2,560,336 km <sup>2</sup>
Population (2011 est.)	2,349,325
No. of local governments in State*	138
Total local government revenue	\$3,166,000,000
Total local government employees	14,908 (FTE)
Capital city	Perth
Capital city Population (2011 est.)	1,738,807
No. of local governments in capital city	30

Source: Local Government information returns to the Australian Bureau of Statistics, collated by WA Local Government Grants Commission; 3218.0 Regional Population Growth, Australia Australian Bureau of Statistics, \* includes number of local governments in Perth metropolitan area

<sup>1</sup> The information in this paper has been largely derived from the author's involvement in supporting the implementation of the voluntary reform process across local government in Western Australia. The views expressed in this paper are solely the views of the author and do not represent the views of the Government of Western Australia.

<sup>2</sup> Local government is not recognised in the Commonwealth of Australia Constitution, but the establishment and regulation of a system of local government is a function of each State Government.

<b>Local Government</b>	<b>Smallest</b>	<b>Average</b>	<b>Largest</b>
Area	1.5 km <sup>2</sup> (Shire of Peppermint Grove)	18,420 Km <sup>2</sup>	371,696 km <sup>2</sup> (Shire of East Pilbara)
Population	115 (Shire of Murchison)	16,500	205,961 (City of Stirling)
Revenue	\$1,700,132 (Shire of Nungarin)	\$22,776,418	A\$173,853,106 (City of Stirling)
Employees (Full time equiv.)	9 (Shire of Cue)	107	751 (City of Stirling)

Source: Local Government information returns to the Australian Bureau of Statistics, collated by WA Local Government Grants Commission.

Many of Western Australia's existing local governments were established over 100 years ago. The role and demands of local governments have changed dramatically since then, and there have been considerable changes in society, technology and the economy, but the structure of local government has remained virtually the same. Various reports and inquiries have identified major structural, financial and operational constraints on the way in which local governments operate. The current reform programme has been developed to assist the sector to address these constraints, to create fewer but stronger councils that will better service WA communities into the future.

The reforms seek to build a local government sector with the capacity to operate best practice and to deliver optimal services to communities throughout Perth and regional Western Australia into the next 100 years. This encompasses effective planning and decision making, and enhanced ability to engage in partnerships with State and Commonwealth Governments and the private sector.

The reform program has various components, focusing on structural reform and capacity building that are being implemented concurrently to achieve the Government's vision of fewer, stronger, regionally focused local governments that are sustainable for the long term.<sup>3</sup> Reform of Western Australia's local governments is expected to bring a range of benefits to local communities, industry and the State. A process of regional business planning is being undertaken by reforming local governments. This process will identify the benefits of structural reform specific to each area; however general benefits of the reforms are expected to include:

<sup>3</sup> <http://dlg.wa.gov.au/Content/Community/LGReform/WhyReform.aspx>

- Ongoing savings achieved from fewer staff, reduced duplication, reduced operating costs and streamlined systems and processes.
- Once-off savings realised through rationalised property, plant and equipment.
- Increased capacity to attract State and Commonwealth Government funding and work with the private sector to leverage large projects.
- More equitable revenue raising resulting in a fair distribution of services across the whole community.
- Enhanced ability to provide a greater range and improved quality of services as well as major infrastructure for the community such as community centres, libraries, waste services, and sports facilities.
- Enhanced ability to attract and retain professional staff as well as employ specialist staff with expertise in key areas such as economic development or environmental management.
- Better utilisation of plant and equipment including graders, loaders, tractors, trucks.
- Greater capacity to undertake community support and engagement strategies to maintain and strengthen communities.
- Better access to technology, increased productivity and economies of scale
- Improved long term integrated planning, including management and maintenance of assets.<sup>4</sup>

### **RCGs and RTGs – a voluntary approach to structural reform**

As part of the voluntary reform process in late 2009, local governments were requested to present to the Minister for Local Government their proposals for progressing reform. The reform submissions received did not, in the Minister's view, reflect the reality of the need for change in the sector, and did not adequately progress reform. There were commitments from just 11 local governments to amalgamate, while attempts to progress structural reform by a further 26 local governments were impeded by a lack of support from neighbouring councils. As a result, and in order to promote optimal reform outcomes, the Minister asked the State Department of Local Government (DLG) to re-engage with the sector on the basis of two regional models. The author contends that the State's approach to reform through these regional models create a point of difference to the approach to local government reform applied elsewhere in Australia.

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<sup>4</sup> Local Government Reform Steering Committee Report, May 2010. Available here; <http://dlg.wa.gov.au/Content/LG/LGReform/CommitteesWorkingGroups/SteeringCommitteeReport.aspx>

The Regional Transition Group (RTG) and Regional Collaborative Group (RCG) models were developed by DLG for the local government sector in recognition that the challenges and complexities faced in implementing reform varied across the regions of the State.

- A Regional Transition Group is a partnership agreement between two or more local governments<sup>5</sup> to work together to complete a Regional Business Plan (RBP) with a view to amalgamating. Development of the RBP, which is essentially a cost-benefit analysis and evaluation of the potential outcomes of an amalgamation and costs of transition, is overseen by a board comprising an elected member from each of the participating councils.<sup>6</sup> The RBP process provides local governments with time to build trust and understanding and engage the community, providing an opportunity to conduct due diligence before committing to a final decision on whether to proceed with an amalgamation proposal to the Local Government Advisory Board.<sup>7</sup>
- Regional Collaborative Groups (RCG) were offered as an option for areas where vast distances between towns mean amalgamation is not a priority and perhaps not the preferred option, due to the particular challenges of serving a range of differing sized communities widely dispersed over vast distances.<sup>8</sup> In an RCG, the local governments work together on a RBP to examine the benefits of extending shared service arrangements, through a well-structured approach.

The State Government has provided considerable assistance to the RTGs and RCGs to facilitate the reform process, including:

- a Regional Business Planning template (developed by KPMG on behalf of the DLG),
- grant funding to RTGs and RCGs to engage consultants to work with participating councils to complete the Regional Business Planning template,
- a shortlisted panel of approved consultants,
- funding for project officers (in some cases) to help the groups work through the business planning process, and
- a case manager from the Department of Local Government to liaise with and assist each group.

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<sup>5</sup> These Groups were formed through agreements, where the Department of Local Government, as a funding provider, was a party to the agreement, but it is not a participant in the group's governing board.

<sup>6</sup> Regional Transition Group (RTG) Information Sheet. Available here; <http://dlg.wa.gov.au/Content/LG/LGReform/CommitteesWorkingGroups/RTC.aspx>

<sup>7</sup> The Local Government Advisory Board has a statutory role in conducting a formal inquiry process into the proposal, before making a recommendation to the Minister for Local Government. There is then scope for the community to request a poll on the proposal, and there are certain provisions around binding and non-binding poll results.

<sup>8</sup> For example, the resource rich Pilbara region of WA is comprised of four local governments with a combined population of less than 50,000 occupying a land area greater than 500,000 square kilometres.

Another key thrust of the State Government's reform agenda is capacity building. The RTGs and RCGs also receive funding to implement and / or enhance strategic planning, asset management and long term financial planning across the local governments in the regional group. Given the limited resources available, funding is being prioritised to those participating in the regional groups.

The reform process is supported by a State-level Local Government Reform Implementation Committee chaired by the Director General of the DLG, and working groups, developing resources such as a Human Resource and Change Management guide and integrated strategic planning, asset management frameworks and guidelines.

### **Progress on reform**

Department of Local Government representatives travelled extensively around the State and met with local governments in early 2010 to outline and discuss the two regional models. By the end of March 2010, 65 local governments had indicated they were willing to participate in reform. Subsequently the number grew to 72.

From a base of 142 local governments in 2005, there are currently 138 councils. With the activities of the 5 RTGs (with between two and five member councils) there was the potential to reduce the number of local governments to 124. Two of the RTGs have been terminated, as the participating councils did not consider the potential benefits to be sufficient justification to proceed with an amalgamation proposal. The RTG process continues in three other areas. Five RCGs, with between two and ten member councils, were progressing and at least one RCG is now working through implementation of RBP outcomes. It was anticipated that other local governments would adopt the RBP process and funding support being offered, however this has not transpired due to continuing fear of the potential for reform. Progress has been slow due to the time required to undertake the RBP process, which includes community consultation elements.

### **Commentary**

It might be said that local government reform is more effective when it is voluntary. While there is a clear need for local government reform in WA, many local governments remain reluctant to consider the prospect of change. The State government's initiative to fund the regional business planning process to evaluate the benefits of reform has been introduced as a circuit breaker. Under this process, local governments can examine the potential benefits of a change, but importantly they can still opt out of an amalgamation proposal if it is not deemed to be in the interests of the community. One mayor of a metropolitan council told the author that his *council had always said no to amalgamation, but the council didn't really know what*

*it was saying no to.* The RBP process outlined above is designed to determine the answer and empower the council and community, for at the end of the day the local government or its community can still say no. That is effectively what has occurred in two of the RTGs at the end of the RBP process.

In relation to collaboration, most councils have to a greater or lesser extent been working together for years, but the RCG model is designed to extend and formalise these arrangements. Already participants are seeing the potential to attract greater resources to the region, particularly from the Federal and State Government. Local governments in the Pilbara region, have initiated streamlined planning processes through the Pilbara Regional Council and this further facilitates State and private investment including the Pilbara Cities Project. Similarly the Kimberley local governments are currently investigating options to share management of a housing and construction factory, working in partnership with private sector bodies to address housing shortages impacting the region.

It is too early to see the full outcome of this process across the State, but given the difficulties with facilitating local government reform in other countries, the regional business planning process through Regional Transition Groups and Regional Collaborative groups is a model worthy of consideration.

The Department of Local Government, working with the State Minister for Local Government's vision, will continue to encourage participation in voluntary reforms through provision of advice and assistance and targeted strategies to promote structural reform across a vast and diverse State.